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# Foreign Aid and Statehood in Africa

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Foreign aid is supposed to encourage low-income states to develop; yet critics across the ideological spectrum accuse it of doing the opposite. Conservatives and libertarians condemn foreign aid for giving untrustworthy leaders resources they can use to repress their populations. Progressives and radicals take a similar position; they see aid corroding indigenous democratic institutions needed for national well being and self-determination.

Sub-Saharan Africa (hereinafter simply Africa) is often cited as the paradigmatic example of the destructive political effects of foreign aid. Africa is "aid dependent" in the sense that few of its states can carry on routine functions or deliver basic public services without external funding and expertise.<sup>1</sup> Yet the region makes disappointing political and administrative headway—this despite a growing amount of Africa's aid being earmarked to improve the quality of government through democratization, civil service reform, and other activities. Even the African governors of the World Bank conceded in 1996 that aid on balance has been undermining institutional capacity in Africa.<sup>2</sup>

Albert O. Hirschman advises caution before accepting arguments like these as true. They are examples of what he calls the perversity thesis, or the belief that an attempt to push society in one direction will move it the opposite way.<sup>3</sup> According to Hirschman, the perversity thesis is a standard justification for being against government programs. Skeptics often think they see evidence of public policy backfiring. Some of the time they are correct, but not always, since government

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1. My definition of aid dependence follows Brautigam 2000, 10.

2. Ndulu and O'Connell 1999 (citing Nicolas van de Walle).

3. Hirschman 1991, 11.

action may also produce either the intended results or accidental yet still positive results

I examine whether the perversity thesis applies to aid and state capacity in Africa. By *state* I mean the political organization recognized in international law as governing a defined population and territory. *Capacity* refers to states' ability to carry out sovereign functions. Few African states fully exercise their sovereignty, and several have had central authority collapse.<sup>4</sup> To what extent is foreign aid implicated?

I start by analyzing the means by which aid is said to subvert state capacity. Next, I look at evidence of misrule and maladministration in Africa—and find that the trends are not universally bleak. My main concern is not national economic performance, the usual focus in the debate over the effectiveness of aid, but political performance. I review how aid donors are encouraging political reform to counter Africa's civic and administrative problems. Finally, I analyze the statistical relationship between aid and government capacity. I concentrate on states' ability to make collective decisions democratically and to produce a capitalist institutional and legal framework.

I find little evidence to support the claim that foreign aid has made governing on these two dimensions worse, as the perversity thesis would have it. To the contrary, the evidence is consistent with foreign aid as a minor net plus for African states' ability to govern well. Yet lawmakers in developed countries seem to have come to the opposite conclusion, perhaps because the positive political effect of aid is small and easily drowned out by other factors. The issue for the industrialized democratic states is how to encourage their African clients to take greater leadership in maintaining order and providing basic public services, while giving them less material support.

## Foreign Aid and Moral Hazard

Moral hazard is the mechanism for the supposedly perverse political impact of foreign aid.<sup>5</sup> It is seen as growing out of the tension between aid donors, who generally want political liberalization, and aid recipients, who supposedly prefer things as they are. Moral hazard is thought to occur because aid frees authorities currently in power from bearing the full consequences of the status quo. It thus entices them to become even less willing to reform. The situation is analogous to the contradiction conservatives see in social welfare programs. Rather than getting poor people to take responsibility for supporting themselves, welfare supposedly reduces the work ethic. Thus the policy seemingly defeats one of its main purposes by perpetuating the poverty it seeks to eliminate.

4 See Jackson 1992; Widner 1995, and Herbst 1996.

5. See, for example, Brautigam 2000, 24, and Killick 1998, 38

Foreign aid (usually referred to formally as official development assistance or ODA) is said to have the same debilitating effect on recipients.<sup>6</sup> Africa's states depend on ODA to help them perform the basic tasks of government. In absolute terms the region's net ODA receipts totaled \$86.5 billion for the five years 1993–97.<sup>7</sup> To put the ODA figure into perspective, net foreign direct investment to Africa was only \$9.5 billion during the same five-year period.<sup>8</sup> The degree of aid dependency has been growing over the past two decades.

Aid dependency cannot be quantified exactly for all countries, but a reasonable cutoff point is 10 percent of gross national product (GNP).<sup>9</sup> Any state where ODA represents more than that share of national income for a sustained period probably has questionable sovereignty in key policy areas. Table 1 presents the pattern of deepening dependency. In 1975–79, seventeen African countries showed mean annual ODA over 10 percent of GNP. Within the period 1980–89, the number of African countries in this heavily aid-dependent category rose to twenty-five. During 1990–97, the most recent period for which data are available, there were thirty-one African aid recipients whose ODA averaged more than 10 percent of GNP.<sup>10</sup> These last countries count some 365 million people, or close to two-thirds of the sub-Saharan population.

What about the rest of Africa? Several countries have never had much foreign aid proportionate to national income. These include oil producing and mineral exporting countries, such as Nigeria, and the manufacturing exporter, Mauritius. Only two high ODA users from the 1975–79 period saw their flows of ODA fall to less than 10 percent of GNP in the 1990s. These were the small countries of Botswana and Seychelles. Although their ODA/GNP ratios dropped, each country continues to receive significant amounts of economic and technical assistance when measured per capita—on average \$83 a year for Botswana and \$281 a year for Seychelles (1990–96).<sup>11</sup> The average for all of Africa is about \$30 per year. Because Botswana and Seychelles have high national incomes for Africa, this aid does not put them over the 10 percent threshold.

The donors try to counteract moral hazard by putting conditions on their loans. However, these agencies need to “move money” to justify their budgets. They thus face incentives to be indulgent when client states violate loan or grant conditions. Furthermore, aid is fungible. It releases other resources for African states to use as they see fit. In a roundabout way, aid therefore could reward states for reckless behavior. Carol Lancaster suggests, for example, that foreign aid in Africa pro-

6 Official development assistance comprises public sector grants and loans provided on a concessional basis for the purpose of economic development or welfare. The figures reported here are net of repayment of interest and principal.

7 DAC 1999.

8 World Bank 1999b.

9 Brautigam uses this cutoff point. Brautigam 2000.

10 World Bank 1999c.

11 World Bank 1998a, 315. Liberia and Somalia drop off the list, too, due to lack of GNP data because of civil wars.

TABLE 1. *Aid-dependent African countries (net official development assistance greater than 10 percent of GNP)*

1975-79	1980-89	1990-97
Botswana	Burkina Faso	Angola
Burkina Faso	Burundi	Bénin
Burundi	Cape Verde	Burkina Faso
Central African Republic	Central African Republic	Burundi
Chad	Chad	Cape Verde
Comoros	Comoros	Central African Republic
Gambia	Equatorial Guinea	Chad
Guinea-Bissau	Gambia	Comoros
Lesotho	Guinea	Côte d'Ivoire
Malawi	Guinea-Bissau	Equatorial Guinea
Mali	Lesotho	Ethiopia
Mauritania	Iberia	Gambia
Niger	Malawi	Ghana
Rwanda	Mali	Guinea
São Tomé and Príncipe	Mauritania	Guinea-Bissau
Seychelles	Mozambique	Kenya
Somalia	Niger	Lesotho
	Rwanda	Malawi
	São Tomé and Príncipe	Mali
	Senegal	Mauritania
	Seychelles	Mozambique
	Somalia	Niger
	Tanzania	Rwanda
	Togo	São Tomé and Príncipe
	Zambia	Senegal
		Sierra Leone
		Tanzania
		Togo
		Uganda
		Zaire/DCR
		Zambia

Source: World Bank 1999c

Note: Based on average for years with observations

longed the life of some corrupt and incompetent regimes by giving them a sense of security.<sup>12</sup> Mobutu Sese Sekou is often cited as the prototype of a dictator propped up by outside powers (though Table 1 suggests Zaire was not unusually dependent on aid, by African standards). In the end, according to this line of reasoning, aid-dependent countries produce *fewer* public goods (civic order, the rule of law, and so forth).

12 Lancaster 1999, 66

One may ask why African states elect not to provide a greater volume of public goods on their own, without prodding from the donors. Mick Moore suggests that part of the reason they do not is that foreign assistance gets between the state and the demands of its internal constituencies. Aid is an "unearned" source of income, similar to the rents available from mineral wealth.<sup>13</sup> Because of it, African states typically are never forced to acquire the organized capacity to raise revenue through direct taxation. At no time do they establish a major tradition of providing public services in exchange for taxes and fees. Thus foreign aid stifles the very values of responsive and efficient government it is meant to foster.

The internal logic of moral hazard is undeniable. Yet the argument is one-dimensional. For one thing, it neglects the possibility that African decision-makers might be pro-reform for independent reasons—a phenomenon known in aid circles as "local ownership" of reform. In relatively more democratic countries, notably Botswana and Mauritius, export-oriented business interests have long pushed their governments to maintain open economies. In other countries (Ghana and Uganda are examples) economic and social conditions had become so desperate that leaders now appear genuinely interested in trying new approaches. A more subtle approach to understanding the political effects of aid would thus recognize that leaders' interests might overlap with those of the donors. Moral hazard would probably not be a significant issue in states where progressive forces have control.

Moral hazard also underestimates the power of ideas. Aid involves the transfer of technology and know-how, not just funds. Policy advice, and training and education programs, can spread new ways of thinking about governing and management. No one familiar with policy debates in Africa can help but notice a shift in rhetoric over the last decade. African policymakers today express far more favorable attitudes toward markets and competitive politics than they did in the past. The spread of liberal ideas is partly attributable to foreign aid. While action lags behind talk, even for African elites to be speaking this new way suggests they do not reflexively oppose all aid conditionalities.

A third omission in the moral hazard argument is to ignore the human resources deployed directly by international donors in Africa. Expatriate personnel help run many foreign aid projects. According to a recent UN estimate, upward of forty thousand foreign technical personnel are resident in Africa.<sup>14</sup> Assuming these individuals see eye to eye with the donors who employ them, their being there would also reduce the scope for moral hazard. Any administrative or political improvements from technical assistance may be limited or transitory. That is a long way from saying all foreign aid is counterproductive.

Given these observations, we should not accept the moral hazard view of aid dependent states without further empirical verification. Most research on the effects of foreign aid has focused on its economic payoff (or lack thereof), not on its

<sup>13</sup> Moore 1998.

<sup>14</sup> Berg 1993, 72.

political outcomes.<sup>15</sup> One exception is a quantitative study that finds foreign aid not associated with bad policy choices, as the theory might lead us to suspect.<sup>16</sup> Then again, another study observes an association with political corruption in recipient countries, which is consistent with moral hazard.<sup>17</sup> More work clearly needs to be done to ascertain the extent to which aid has a destructive effect on the state.

### Africa's Weak States

The most suggestive evidence of a destructive effect in Africa is the region's lack of political progress in an era of aid dependency. African states tend to be weak and of questionable legitimacy.<sup>18</sup> They typically attained independence through agreements with the colonial powers, instead of earning it by establishing effective control over their populations. Many are still locked in domestic struggles to assert their authority. They have yet to win widespread allegiance—a process that took centuries in the nation-states of Europe and is still incomplete. Foreign aid obviously has not made these problems go away in Africa. Table 2 presents representative data showing a generalized pattern of internal instability and unrest in the region.<sup>19</sup>

From 1981 to 1996, nearly half the countries in Africa experienced significant episodes of violent conflict between government and opposition groups. These conflicts lasted as little as one month to more than twenty years (several started before 1981 and ten others were still ongoing as of 1998). By 1998, some four million people may have lost their lives as a direct result of this political violence. Another three million people have become refugees. In illegitimate or quasi-legitimate states, the state's own security forces often challenge the internationally recognized leadership. During the 1980s, at least ninety-two successful or unsuccessful military takeovers were recorded, affecting twenty-nine African countries. Seven African heads of state lost their lives while in office in the 1980s and 1990s; sixteen were jailed.

Still, it is important to observe that the region is not monolithic; significant differences exist in political institutions and practice. This is shown by the three-way categorization of countries in Table 2—a framework that I have borrowed from Freedom House, a nonprofit organization that monitors political and civil rights.<sup>20</sup> Freedom House rates countries as free, partly free, and not free, based on an index of how much liberty citizens have to organize themselves for common purposes, to

15 The economic impact of aid is positive, according to the literature review and reanalysis of Hansen and Tarp 2000.

16 Schwalbenberg 1998.

17 Alesina and Weder 1999.

18 Ake 1996.

19 States in other developing regions, however, may not be significantly different on these and other criteria. See Goldsmith 2000a.

20 Freedom House 1999.

TABLE 2. *Indicators of state sovereignty in Africa*

Freedom House category 1998– 99 <sup>a</sup>	Armed conflict, 1998 <sup>b</sup>	Duration of internal wars and state failures, 1981–96 <sup>c</sup>	Deaths from political violence, 1981–98 <sup>d</sup>	Refugees, end of 1998 <sup>e</sup>	Coups events, 1981–90 <sup>f</sup>	Rulers (1981– 99) who were	
						Killed	Jailed
<b>Free</b>							
Bénin	—	—	—	—	2	—	—
Botswana	—	—	—	—	1	—	—
Cape Verde	—	—	—	—	—	—	—
Malawi	—	—	—	—	—	—	—
Mali	—	2 yrs 9 mos.	1,000	3,450	1	—	1
Mauritius	—	—	—	—	0	—	—
Namibia	—	—	25,000 <sup>g</sup>	1 900	—	—	—
São Tomé and Príncipe	—	—	—	—	—	—	—
South Africa	—	11 yrs 10 mos	20,000	—	—	—	—
<b>Partly Free</b>							
Burkina Faso	—	—	—	—	10	1	3
Central African Rep	—	—	—	—	2	—	—
Comoros	—	7 mos	—	—	—	—	—
Eritrea	x	—	—	344,800	—	—	—
Ethiopia	x	13 yrs 11 mos	750,000 <sup>h</sup>	61,900	1	—	—
Gabon	—	—	—	—	3	—	—
Ghana	—	2 yrs 4 mos	2,000	11,200	7	—	1
Guinea-Bissau	x	—	4,000	8,000	—	—	1
Lesotho	—	2 mos.	1,000	—	2	—	2
Liberia	—	7 yrs 1 mo	45,000	257,100	10	2	—
Madagascar	—	—	—	—	1	—	—
Mozambique	—	11 yrs 9 mos	500,000	—	—	—	—
Nigeria	—	4 yrs. 7 mos.	28,000	—	8	—	2
Senegal	—	—	3,000	9,500	0	—	—
Seychelles	—	—	—	—	—	—	—
Sierra Leone	x	5 yrs 10 mos	15,000	408,900	1	—	1
Tanzania	—	—	—	—	1	—	—
Uganda	x	11 yrs 6 mos	110,000	8,000	3	—	1
Zambia	—	—	—	—	3	—	—
Zimbabwe	—	6 yrs 11 mos	3,000	—	—	—	—
<b>Not Free</b>							
Angola	x	16 yrs.	750,000 <sup>z</sup>	314,700	—	—	—
Burundi	x	8 yrs 5 mos	111,000	496,700	1	2	—
Cameroon	—	—	—	1,300	2	—	—
Chad	—	15 yrs 3 mos.	75,000	58,100	3	—	1
Congo Rep	—	—	9,000 <sup>g</sup>	15,000	1	—	—
Côte d'Ivoire	—	—	—	—	0	—	—
Dem Rep of Congo	x	5 yrs 9 mos	11,000	149,130	1	—	—
Djibouti	—	—	—	3,000	—	—	—
Eq. Guinea	—	—	1,000	—	—	—	—
Gambia	—	1 mo	—	—	1	—	—

TABLE 2. *continued*

<i>Freedom House category 1998–99<sup>a</sup></i>	<i>Armed conflict, 1998<sup>b</sup></i>	<i>Duration of wars and state failures, 1981–96<sup>c</sup></i>	<i>Deaths from political violence, 1981–98<sup>d</sup></i>	<i>Refugees, end of 1998<sup>e</sup></i>	<i>Coup events, 1981–90<sup>f</sup></i>	<i>Rulers (1981–99) who were</i>	
						<i>Killed</i>	<i>Jailed</i>
Guinea	—	—	—	—	3	—	1
Kenya	—	1 yr. 11 mos	2,000	4,800	1	—	—
Mauritania	—	—	15,000 <sup>g</sup>	67,600	6	—	1
Niger	—	6 mos	1,000	—	1	1	—
Rwanda	x	3 yrs 10 mos	530,000	69,940	0	1	—
Somalia	—	8 yrs 8 mos	100,000	475,150	3	—	—
Sudan	x	15 yrs 11 mos	1,000,000	403,600	11	—	1
Swaziland	—	—	—	—	2	—	—
Togo	—	—	—	2,400	0	—	—
Total	10	155 yrs 7 mos	4,112,000	3,176,170	92	7	16

*Sources:* Freedom House 1999; SIPRI 1999; State Failure Task Force 1999; UNHCR 1998; Center for Systemic Peace 1999; Wang 1998; and Goldsmith 2000b.

<sup>a</sup>Freedom House categories reflect the degree to which there are free and competitive elections, competitive and autonomous parties, and provisions for political opposition. Categories are based on two sets of characteristics grouped under political rights (to participate freely in the political process) and civil rights (to develop views and institutions apart from the state). Countries are coded using a seven-point scale, measured in half-point increments, with lower numbers representing greater freedom. Countries coded 1–2.5 are categorized “free,” those coded 3–5 are categorized “partly free,” and those coded 5–7 are categorized “not free.”

<sup>b</sup>Includes minor conflicts (at least twenty-five battle-related deaths per year and fewer than one thousand battle-related deaths during the course of the conflict), intermediate conflicts (at least twenty-five battle-related deaths per year and an accumulated total of less than or equal to one thousand per year), and wars (at least one thousand battle-related deaths per year).

<sup>c</sup>State failure includes one or more of the following: abrupt regime transitions; genocide; and violent conflicts between a government and politically organized groups (including minority groups seeking major changes in their status). The minimum threshold for the latter is that each party mobilizes one thousand people and that there is an average of one hundred or more fatalities per year during the episode. Countries with populations under 500,000 are excluded from this data set.

<sup>d</sup>A refugee is someone who has fled his or her country because of fear of persecution due to race, religion, nationality, political opinion, or membership in a particular social group, and who cannot or does not want to return.

<sup>e</sup>An episode of political violence is an inter- or intrastate armed conflict involving at least five hundred fatalities.

<sup>f</sup>A coup event is a successful, failed, or plotted event when a state's military, security, or police forces were involved in a sudden, illegal effort to overthrow the government.

<sup>g</sup>Conflict started and some casualties were incurred before 1981.

persuade others of their opinions, and to compete for political influence. Judgment errors exist in these ratings, but these probably do not seriously bias my sample, because all the countries are in the same region.<sup>21</sup>

21 For discussion of the judgment errors, see Boijen and Paxton 2000.



Eight countries (with 12 percent of the African population) currently fall in the "free" category. Importantly, many of the lower rated countries are moving in the direction of political pluralism and multiparty elections.<sup>22</sup> Table 3 displays some evidence of this trend. The watershed year was 1989. Over the next ten years, eighteen African countries moved up at least one category in the Freedom House ratings. Only two countries (Gambia and Swaziland) moved down one or more categories. Freedom House's assessments can be criticized as impressionistic, but the electoral data reported in Table 3 suggests they reflect bona fide trends. Not only has the tempo of elections increased significantly, but also the winner's share of the vote total is generally down. Seventeen opposition candidates were voted into power in Africa in the 1990s—something that happened only once in the region before that decade.

Whether many of these political systems are successfully making the transition to democracy is still open for discussion. A disturbing number of entrenched African chief executives have held on to office despite the wave of elections.<sup>23</sup> Only two African countries (Botswana and Mauritius) have enough free electoral history to satisfy the criteria for a northern-style liberal democracy.<sup>24</sup> Moreover, as the comments in Table 3 remind us, many of the emerging democracies have run into internal political crises of one kind or another. Political progress in Africa will be slow and subject to reversals. Nevertheless, it is misleading to overlook the improvements that have happened in the past ten to twenty years, just at the time more countries were coming to rely on aid.

### Donor Political Objectives

The foreign aid community says it stands squarely behind the region's democratization, a position expressed more forcefully since the end of the Cold War. According to the semiofficial "new Washington consensus," public-sector misrule discourages private economic agents from making productive, long-term investments.<sup>25</sup> To foster investment, it follows, African states need to refocus on fundamentals like law and order, roads, and health. They must provide these fundamentals equitably, to convince the public of the state's fairness and to secure the public's compliance. Local people should have opportunities to learn about and influence collective decisions.

These are standard liberal arguments. Nevertheless, they increasingly receive backing in the quantitative literature. The relationship between representative

22. Joseph 1997.

23. Baker 1998.

24. Derbyshire and Derbyshire 1996, 338.

25. World Bank 1997.

TABLE 3. *Political developments in Africa, 1960–99*

<i>Freedom House category 1998–99<sup>a</sup></i>	<i>Presidential elections, 1960–89</i>			<i>Presidential elections, 1990–99</i>			<i>Comments</i>
	<i>Number of elections</i>	<i>Opposition victories</i>	<i>Winner's share of votes cast (avg.)</i>	<i>Number of elections</i>	<i>Opposition victories</i>	<i>Winner's share of votes cast (avg.)</i>	
<b>Free</b>							
Bénin (+2)	3	0	84.2%	2	2	60.1%	President Soglo voted out in 1996
Botswana (-) <sup>b</sup>	5	0	85.8%	2	0	60.9%	BDP in power since independence
Cape Verde (+2)	0	0	—	2	1	76.8%	President Monteiro reelected unopposed
Malawi (+2)	0	0	—	2	1	49.8%	President Muluza reelected in 1999
Mali (+2)	2	0	99.9%	2	1	76.7%	Election-related crisis in 1998
Mauritius (-) <sup>b</sup>	4	1	57.3%	2	1	60.3%	Multiparty parliamentary democracy
Namibia (-1)	1	0	56.9%	2	0	76.5%	President Nujoma reelected twice
São Tomé and Príncipe (+2)	0	0	—	2	1	66.9%	Aborted bloodless coup in 1995
S. Africa (+1) <sup>b</sup>	8	0	55.0%	2	1	64.7%	President Mandela retired in 1999
<b>Partly Free</b>							
Burkina Faso (+1)	2	0	77.3%	2	0	91.3%	President Compaoré in power since 1983
Central African Rep. (+1)	2	0	96.2%	1	1	52.5%	Army mutinies in 1996 and 1997
Comoros (+1)	2	0	99.7%	2	0	59.7%	Coup in 1999
Eritrea (N.A.)	0	0	—	0	0		Unelected interim president
Ethiopia (+1) <sup>b</sup>	0	0	—	1	0	82.9%	Border war with Eritrea since 1998
Gabon (+1)	5	0	99.6%	2	0	59.1%	President Bongo in power since 1967
Ghana (+1)	5	0	99.7%	2	0	57.9%	President Rawlings in power since 1981
Guinea-Bissau (+1) <sup>c</sup>	0	0	—	2	1	62.0%	Military mutiny in 1998
Lesotho (+1) <sup>b</sup>	1	0	38.3%	2	1	67.7%	Election-related crisis in 1998

TABLE 3. *continued*

<i>Freedom House category 1998-99<sup>a</sup></i>	<i>Presidential elections, 1960-89</i>			<i>Presidential elections, 1990-99</i>			<i>Comments</i>
	<i>Number of elections</i>	<i>Opposition victories</i>	<i>Winner's share of votes cast (avg.)</i>	<i>Number of elections</i>	<i>Opposition victories</i>	<i>Winner's share of votes cast (avg.)</i>	
Liberia (=)	6	0	82.6%	1	0	75.3%	Armed regional rebellion in 1999
Madagascar (=)	5	0	86.8%	2	1	58.7%	President Zafy impeached in 1996
Mozambique (+1)	3	0	99.8%	2	0	52.8%	President Chissano reelected in 1999
Nigeria (=)	2	0	70.6%	2	0	60.6%	Full transfer to civilian rule in 1999
Senegal (=)	6	0	87.7%	1	0	58.4%	President Diouf voted out in 2000
Seychelles (+1)	3	0	95.6%	2	0	63.1%	President René in power since 1977
Sierra Leone (=)	2	0	97.6%	1	1	59.5%	Elected government restored by force
Tanzania (+1)	6	0	94.9%	1	0	61.8%	Pervasive corruption reported
Uganda (=)	0	0	—	1	0	74.3%	Political parties banned since 1986
Zambia (=)	5	0	83.4%	2	1	73.9%	State of emergency since 1997
Zimbabwe (=) <sup>b</sup>	1	0	80.0%	2	0	87.9%	Constitutional referendum rejected in 2000
<b>Not Free</b>							
Angola (=)	0	0	—	1	0	49.6%	President dos Santos in power since 1979
Burundi (=)	1	0	99.6%	2	1	64.8%	Coup in 1997
Cameroon (=)	6	0	97.6%	2	0	66.3%	President Biya in power since 1982
Chad (=)	3	0	80.5%	1	0	69.1%	Widespread human rights abuses
Congo Rep. (=)	2	0	100.0%	1	1	61.3%	Organized rebellion starting in 1997
Côte d'Ivoire (=)	6	0	99.7%	2	0	88.9%	Coup in 1999
Dem. Rep. of Congo (=)	3	0	99.1%	0	0	—	President Mobutu deposed in 1997
Djibouti (=)	2	0	87.3%	2	0	67.4%	Armed fighting with rebels in 1998

TABLE 3. *continued*

Freedom House category 1998-99 <sup>a</sup>	Presidential elections, 1960-89			Presidential elections, 1990-99			Comments
	Number of elections	Opposition victories	Winner's share of votes cast (avg)	Number of elections	Opposition victories	Winner's share of votes cast (avg)	
Eq Guinea (=)	2	0	97.9%	1	0	97.8%	President Obiang in power since 1979
Gambia (-2)	2	0	65.7%	2	0	57.2%	Coup in 1994
Guinea (=)	2	0	75.5%	1	0	51.7%	Army mutiny in 1996
Kenya (-)	0	0	—	2	0	38.4%	President Moi in power since 1978
Mauritania (=)	4	0	97.7%	2	0	76.9%	De facto one-party state
Niger (=)	0	0	—	3	1	55.6%	Coup in 1999
Rwanda (=)	5	0	97.3%	0	0	—	Military regime
Somalia (=)	1	0	99.9%	0	0	—	No central government since 1991
Sudan (=)	3	0	98.2%	1	0	75.7%	State of emergency declared in 1999
Swaziland (-1)	0	0	—	0	0	—	Absolute monarchy
Togo (=)	5	0	98.3%	1	0	96.5%	President Eyadema in power since 1967
Total/weighted average	126	1	87.9%	73	17	66.7%	

Source. Election data are from Bratton and van de Walle 1997; they have been expanded and updated, principally using Nohlen, Krennerich, and Thibaut 1999; and Derksen 1999.

Note. For definitions and coding rules of Freedom House categories, see notes to Table 2. Vote totals include only second rounds in cases where second-round voting is constitutionally mandated to assure majority support for the president.

<sup>a</sup>Category changes since 1988-89 are shown in parentheses.

<sup>b</sup>At least some of this country's elections were parliamentary, with the president chosen indirectly or the prime minister as the main power holder (includes cases with hereditary heads of state). Winners' share in these instances refers to the largest party in Parliament.

<sup>c</sup>The average includes a second round for the 1999-2000 presidential election.

institutions and development is among the most closely scrutinized subjects in comparative politics. On balance, the empirical research suggests that democracy in developing countries is likely to have divided effects or be instrumental for development (usually operationalized as growth in per capita income). The research tends to question an article of faith among many conservatives—that premature

democratic government strangles development, for instance, by leading to instability or to excessive consumption.

A recent article reviews twenty earlier empirical studies.<sup>26</sup> Three studies discover a positive relationship, and five discover a conditional relationship, between democracy and growth. Ten cross-national studies fail to turn up any significant relationship. Only two of the studies find that democracy affects economic growth negatively. I looked at an additional dozen studies on the same topic. Using increasingly sophisticated methods, they are even more favorable for representative government. Only one finds a negative correlation between democracy and growth or development.<sup>27</sup> The other eleven find a positive, mixed, or neutral correlation.<sup>28</sup> Different samples and periods may explain the divergent results of these studies, but they tend to support the Washington consensus that democracy is economically advantageous for poor countries—this in addition to its intrinsic merits.

If we turn to Africa specifically, there is little empirical evidence to show that recently open politics have helped to improve economic conditions. The region's emerging democracies are not more prone than their predecessors are to adopt economic reform programs.<sup>29</sup> Nor did they perform better than the remaining authoritarian regimes in presiding over economic growth, stable prices, or balanced budgets in the 1990s.<sup>30</sup> Perhaps insufficient time has passed to observe positive economic results from Africa's "second independence"—another study does find that democracy is associated with faster growth in Africa over the longer period, 1960 to 1992.<sup>31</sup> Moreover, none of the data suggest that the fledgling democracies do worse in the economic arena compared to rival systems. Given democracy's inherent value, that itself is a strong argument for continuing to favor political liberalization in Africa.

Africa's leading multilateral source of official development assistance is the World Bank, which has long said it supports people's participation in government decision making. Although its mandate precludes taking stands for or against any particular type of political regime, since 1994 the World Bank has called specifically for due process in recipient countries. This is to counter arbitrary and opaque policymaking, which it sees sapping private-sector confidence. The World Bank says it wants to reverse the decline in public accountability across Africa and in

26. Brunetti and Weder 1995.

27. Gasiorowski 2000.

28. All of the following studies uncovered a positive association between democracy and growth or social well-being: Feng 1996; Wickrama and Mulford 1996; Leblang 1997; Przeworski and Limongi 1997; Fedderke and Klitgaard 1998; Nelson and Singh 1998, and Mimer 1998. None were detected by Burkhart and Lewis-Beck 1994. Inconclusive or mixed results were found by Helliwell 1994, Mbaku 1994, and Durham 1999.

29. Serneux 1999.

30. Van de Walle 1999, 22.

31. Feng 1996.

other regions. Its stated objective is for citizens to understand and influence public decisions that affect them.<sup>32</sup>

The International Monetary Fund (IMF) took a parallel, though narrower, stance in a 1997 policy document. It is also concerned with opaque decision making and the level of accountability. But this is in the context of reducing the government corruption that threatens its financial programs. The IMF claims to fight fraud by helping member countries limit ad hoc decision making and preferential treatment of individuals or organizations.<sup>33</sup>

Since 1993, the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development has taken an explicit position favoring majority rule. Speaking for all industrial country donors, the DAC advocates that developing countries spell out procedures whereby ordinary people can help shape the policies that affect their lives. Communities and private organizations must be empowered so that they can check the risk of arbitrary government, according to the DAC. Thus client states should be encouraged to build institutions that assure the consent of the governed—and that allow the governed to withhold their consent so that their political leaders can be peacefully replaced.<sup>34</sup>

Bilateral donors are reading from the identical liberal text. They see free elections and representation leading to greater public accountability, responsiveness, transparency, and efficiency. When ordinary people share in public decisions, they will call leaders to task for not delivering services. The Canadian International Development Agency, for example, says it aims to strengthen local involvement in the exercise of power. That includes helping independent popular organizations to express and channel people's concerns.<sup>35</sup> A 1997 British government White Paper pledged to deploy that nation's development assistance to spread the values of civil liberties and democracy, and to foster the growth of a vibrant and secure civil society.<sup>36</sup> The U.S. Agency for International Development (USAID) has since 1975 formally limited its support to countries that protect human rights and civil liberties, though during the Cold War national security considerations often overrode this rule.<sup>37</sup>

Not surprisingly, aid recipient groups in Africa have taken parallel positions. The Organization of African Unity, the coordinating body of independent African states, has reaffirmed its commitment to popular participation and a political atmosphere in member states that guarantees human rights and the rule of law.<sup>38</sup> Similarly, the UN Economic Commission for Africa speaks of the benefits of "good governance," "civil society empowerment," and "full participation from citizens at all levels."<sup>39</sup>

32. World Bank 1994.

33. IMF 1997.

34. OECD 1993, 9–12.

35. CIDA 1996.

36. DFID 1997.

37. Hook 1998.

38. OAU 1992.

39. ECA 1998.

Are these official policy statements any more than hot air? The donors' direct aid for government and civil society activities is limited—only 4.4 percent of all bilateral ODA worldwide in 1998.<sup>40</sup> The World Bank reports that its cumulative spending for public-sector management in Africa amounted to just \$2.4 billion as of 1999.<sup>41</sup> Yet these figures understate how deeply the donors are absorbed in trying to construct democratic, rational-legal states in the sub-Saharan region.

For one thing, the numbers do not fully reflect funding for nongovernmental organizations (NGOs), groups that may have indirect effects on domestic political reform. Neither the colonial nor the postcolonial African states encouraged NGOs, for fear that independent associations would threaten central authority. Following an argument made by Alexis de Tocqueville in the nineteenth century, the standard donor line is that the reverse is true. A vibrant associational life is a source of political system strength, not weakness. African states lack authority precisely because they have too little give and take with private groups.<sup>42</sup>

Accordingly, aid agencies are channeling more aid through civil society organizations rather than government bodies. Over half of World Bank loans and credits to Africa, for example, were in partnership with NGOs in 1991, a much greater share than in the 1980s.<sup>43</sup> Burkina Faso is a typical recipient country, with over two hundred officially recognized NGOs. They handle the equivalent of 20 percent of public investment and more than that in the social sectors.<sup>44</sup> The donors' main goal in using NGOs is to see their aid used more efficiently, but the by-product can be to strengthen the organizations so they are more effective political advocates.

Foreign aid could conceivably have additional unintended benefits for democracy, by strengthening human resources. Literacy and health have been improving in Africa, according to the UN.<sup>45</sup> Foreign aid is part of the reason for these improvements in human development. Better educated and healthier people, in turn, may make better informed and more active citizens, who are the lifeblood for democratic institutions.

The most important reason that data on direct political aid give an incomplete picture, however, is that donors tie political strings to other types of aid. Donors have long put conditions on their loans; increasingly, the conditions call for changes in governance. A donor may withhold an important loan pending an election or legal reform. It may offer to fund new projects to reward cooperating regimes. When a recent study looked at the international financial institutions' programs in Africa from 1997 to 1999, it found that nearly three-fourths of the conditions (or about eighty per country) pertained to governance. The count may not reflect some of the most important governance-related conditions, which are found in "side letters" put

40 DAC 1999, tab 19

41. World Bank 1999a, appendix 12.

42. Lewis 1992.

43. Landell-Mills 1992, 565

44. Préveteau 1998

45. UNDP 1999.

in place at meetings of consultative groups of donors.<sup>46</sup> Even though the sheer number of conditions makes noncompliance common, the net result is likely to move countries further in the direction of participatory and open political processes.

Kenya is a good example of how donors try to employ both civil society groups and the carrot and stick of aid to induce democratic change. President Daniel arap Moi obtained an amendment in 1982 to Kenya's Constitution that established a *de jure* one-party state. His administration also adopted an intimidating new set of electoral procedures and put new controls on the press. Shortly after that, aid agencies imposed an aid conditionality requiring the government to allow multiple parties again, to establish an impartial elections board, to reinstate the secret ballot, to update voter registration rolls, and to relax censorship of the press.<sup>47</sup>

The major pressure for democratization in the early 1990s came from the United States. The U.S. ambassador drew on USAID personnel in his efforts to tie political reform to the receipt of foreign aid. In 1994 the agency launched a \$7 million democracy and governance project focused on strengthening Parliament, the Auditor and Controller General's Offices, and civil society.

Kenya, however, also illustrates how difficult it is to push political change from the outside. Hard-liners in President Moi's coalition suffered their resistance to political conditions imposed from abroad. The lead passed from U.S. hands to other donors. In 1997 the European Union members issued a joint statement calling for Kenya's government to use restraint in dealing with its political opponents. The local diplomatic community of the Scandinavian countries issued a special statement requesting the preservation of basic democratic norms. The IMF suspended its loan program in Kenya in July of that year. Shortly thereafter, President Moi repealed laws controlling the rights of assembly and announced plans to reform electoral laws. Insiders in the diplomatic and development community reacted with skepticism to these overtures and suspected they would be abandoned once aid funds began flowing again.<sup>48</sup> Evidence from other case studies suggests that political conditionality in Africa works better when it is in response to a specific event (such as a coup) or tips the balance toward established domestic opposition groups.<sup>49</sup> That apparently was not the case in Kenya.

### **A Framework for Analyzing Moral Hazard**

One question raised by the moral hazard argument is whether countries such as Kenya, which received a growing volume of aid, were the ones that generally made the *least* movement toward democracy. Quantitative analysis can suggest an answer.

46. Kapur and Webb 2000.

47. Cohen 1995.

48. Olson 1998.

49. Crawford 1997.



TABLE 4. *Cross-sectional time-series analysis: Freedom House Index of Political Freedom (1975–97) on selected independent variables*

Independent variable	Instrumental variables, two-stage least squares		
	(A)	(B)	(C)
ODA/GNP <sup>a</sup>	0.022 (0.009) <sup>***</sup>	—	—
ODA/GNP (lagged 1 year)	—	0.023 (0.009) <sup>***</sup>	—
ODA/GNP (lagged 5 years)	—	—	0.036 (0.01) <sup>***</sup>
Common law <sup>b</sup>	0.77 (0.11) <sup>***</sup>	0.74 (0.11)	0.65 (0.12) <sup>***</sup>
Ethnic heterogeneity <sup>c</sup>	0.002 (0.002)	0.003 (0.002)	0.004 (0.002) <sup>**</sup>
GDP per capita <sup>d</sup>	2.07 (0.19) <sup>***</sup>	2.07 (0.2) <sup>***</sup>	2.25 (0.22) <sup>***</sup>
Constant	-4.86 (0.78) <sup>***</sup>	-4.4 (0.77) <sup>***</sup>	5.07 (0.87) <sup>***</sup>
Adjusted R <sup>2</sup>	0.21	0.26	0.20
N	917	918	798

Note: The Freedom House Index of Political Freedom measures political freedom on a seven-point scale in half-point increments, which have been recorded so that higher numbers indicate greater political freedom. Regression coefficients are listed, with standard errors in parentheses. For fuller description of the Freedom index, see notes to Table 2.

<sup>a</sup>Figures are net official development assistance as a percentage of GNP. From World Bank 1999c.

<sup>b</sup>Countries with a heritage of English common law are distinguished; they are coded 1 if their legal systems are based on common law and zero otherwise. From La Porta et al. 1999.

<sup>c</sup>A measurement of ethnic division based on three types of ethnic groups: racial, linguistic, and religious (each measured as a percentage of the largest ethnic group of the country's total population). The three inverse percentages are summed to form the index; higher numbers indicate greater heterogeneity. From Vanhanen 1999.

<sup>d</sup>This is the 1994 figure based on purchasing power parity. The natural logarithm is used because of the skewed distribution of GDP. From UNDP 1999.

Instruments used in columns A, B, and C (on ODA, lagged and unlagged versions): GDP per capita, French colony (a dummy variable that takes a value of 1 for former French colonies), and population (millions of people in 1989).

<sup>\*\*\*</sup> $p < 0.01$

<sup>\*\*</sup> $p < 0.05$

<sup>\*</sup> $p < 0.1$

Because foreign aid data are available from 1975 to 1997, I estimated regression equations for that period with panel data, covering most African countries (see Table 4).

The dependent variable is the annual country score on Freedom House's Political Freedom Index, the indicator of democracy that I discussed earlier. States fall along

a seven-point continuum, from less to more democratic.<sup>50</sup> The main predictor variable of interest is ODA/GNP. If the moral hazard view is correct, we should observe a negative correlation between the two. To the extent that foreign aid has any impact on governance, however, a country may feel the impact immediately, but those effects may fade (or intensify) in subsequent periods. To deal with time effects, I introduced lagged versions of the aid variable on the right-hand side of the equation. This procedure can help to isolate the direction of causality and help us observe any waning (or growing) influence of ODA over time.

Democracy in a society is a function of many factors, of course, not of ODA alone. I added three additional independent variables, described in Table 4.<sup>51</sup> The first reflects the type of national legal system. Recent research finds that a heritage of English common law in a country favors good government there.<sup>52</sup> Accordingly, I include a dummy variable, based on that research, that takes a positive value for common law countries. An important predictor variable in any analysis of democratization is the extent of ethnic heterogeneity in society. I use a measure that takes account of racial, linguistic, and religious divisions. Ethnic diversity is often assumed to bear a negative relationship to political freedom; however, recent work by Paul Collier and Anke Hoeffler suggests the relationship is more favorable.<sup>53</sup> Finally, economic development is likely to affect whether orderly and fair public procedures persist in a country. The proxy I use for development is the UN's purchasing power parity estimate of per capita income. I anticipate a positive correlation with the dependent variables.<sup>54</sup>

A troublesome issue is the possibility of selection bias. If democratic countries receive more aid, that may mean that donors like to help democracies, not that aid is good for democratic institutions. Indeed, many experts argue that aid should be targeted to states with the best records in human rights, on the grounds that they can make the best use of the extra resources.<sup>55</sup> Alternatively, the conventional rationale for foreign aid is to help the countries most in need—and those are unlikely to be the most democratic states. A third possibility is that aid is allocated primarily on geopolitical grounds, and not as a result of rational humanitarian planning.

An effective way to correct for the possible endogeneity of ODA is to estimate the equations with a generalized instrumental variables method. I used the following instruments in this procedure: per capita income (richer countries probably tend to get less aid), whether the country is a former French colony (France is Africa's

50 Controversy exists as to whether democracy is a dichotomous concept, but treating it as a continuous variable makes theoretical and empirical sense, according to Elkins 2000.

51 Several other variables (reflecting religion, literacy, health, urbanization, climate, and geography) were tried in different versions of the equation. These did not significantly enhance the explanatory power of the model, nor did they have much effect on the aid coefficients.

52 La Porta et al. 1999.

53 Collier and Hoeffler 1998.

54 Londregan and Poole 1996.

55 Along these lines, a World Bank study found that aid reduces poverty in countries with robust government institutions but has little impact elsewhere. Donors should allocate aid accordingly, according to this report. World Bank 1998b.

largest donor), and population size (smaller countries may be likely to get more aid). Each of these variables is plausibly correlated as well with the level of democracy.

Table 4 reports three different specifications of the equation. The regression in column A includes ODA/GNP as a predictor variable. In column B I substitute ODA/GNP with a one-year lag. In column C the lag period is expanded to five years. Looking at the three columns, we can see that ODA has a *positive* correlation with the level of democracy in each regression—not the negative correlation predicted by the moral hazard view. The signs for the other right-hand variables also are positive, as predicted. All three coefficients for ODA/GNP are statistically significant (at the 1 percent level).

The effect of ODA is, nevertheless, consistently small. It makes sense that national political change would depend mainly on what domestic groups do, not on what external actors want. Also, case studies suggest that aid donors can be timid or inconsistent in pushing democracy in Africa, which could weaken their influence.<sup>56</sup> The estimate in column C implies that if a country's foreign aid goes up by 10 percent of its GNP, and other factors remain constant, there would be a five-year rise in its Freedom House rating of merely four-tenths of a point. To put it differently, if we take the median country in column C, its ODA would have to rise to over 90 percent of GNP before it would move into the group of free countries, as defined by Freedom House. The donors' political conditionalities, support for civil society groups, technical assistance, and other activities appear to affect African democratization only at the margins.

Still, I find it hard to accept the moral hazard argument. Development assistance does not appear to have undermined the cause of representative government. On the contrary, aid is associated with slightly higher levels of political and civil liberty in Africa. That is in line with what the donors say they have been trying to encourage, and is not an unexpected or perverse outcome. I do not want to overstate the case, as some advocates of foreign aid are prone to do. The analysis suggests that outsiders' ability to dictate the political pace and direction of another country is small, even if that country's leaders depend on the outsiders for financial resources. No feasible increase in ODA will put aid donors, or their local NGO allies, in charge of democratization in Africa. The most important support for political reform will have to come from within those societies.

### Aid and Governance Outcomes

Good governance is more than having democratic institutions. It also encompasses the public goods (other than democracy itself) those institutions produce. Freedom of association and competitive elections have intrinsic value, but they additionally are means to get African states to maintain peace, guarantee law and order, support

56 See Crawford 1997, and Hook 1998

TABLE 5. *Fraser Index of Economic Freedom scores for African countries*

	1975	1980	1985	1990	1995	1997
Mean score	4.1	4.3	4.5	4.5	4.9	5.1
No. of countries	17	25	25	28	28	28

*Source:* Gwartney and Lawson 2000.

*Note:* Economic freedom is a measure of national economic openness, based on how countries do in four areas: money and inflation, government operations and economic structure, "takings," and international trade. Possible scores range from zero to 10, with higher numbers indicating greater economic liberalization.

the economic infrastructure, and ensure a minimum level of social well-being. Society needs these public goods irrespective of what the collective decision-making system looks like.

Unfortunately, Africa lacks the data for a broad longitudinal analysis of public goods provision. One recent source, however, does provide estimates over time and across countries of a very important set of public goods: the rule of law and enforcement of property rights. The database is Fraser Institute's Index of Economic Freedom.<sup>57</sup> The summary index contains seventeen components intended to indicate the degree to which a nation's institutional arrangements and policies are consistent with sound money, reliance on markets, avoidance of discriminatory taxes, and freedom of international exchange. Ratings are available for about half the countries in the African sample going back to 1975 (at five-year intervals and also for 1997) (see Table 5).

Whether or not you agree with Fraser Institute's definition of economic freedom, I find it reasonable to assume that their index is a fair measure of how closely an aid-receiving state adheres to the donors' advice on economic policy. Since about 1980, that advice has been for "structural adjustment," which calls for deregulation, public budget cuts, and embracing the private sector. Northern policymakers are generally disappointed with African progress on structural adjustment, just as they are disappointed with the region's democratization. However, the disappointment may be out of proportion, for the Fraser Institute's indicator has been rising in Africa. The question, then, is who liberalized the most. Was it the states getting the least aid, as suggested by the moral hazard argument? My analysis suggests not.

I follow the same method shown in Table 4. Because it is unclear whether states attract aid when their markets are open, or whether aid encourages them to open their markets, a generalized instrumental variables model remains appropriate. ODA/GNP (lagged and unlagged versions) is the endogenous regressor. I use the

57. Gwartney and Lawson 2000.

TABLE 6. *Cross-sectional time-series analysis: Fraser Institute Index of Economic Freedom (1975–97) for selected independent variables*

Independent variable	Instrumental variables two-stage least squares		
	(A)	(B)	(C)
ODA/GNP	0.05 (0.028)*	—	—
ODA/GNP (lagged 1 year)	—	0.032 (0.038)	—
ODA/GNP (lagged 5 years)	—	—	0.062 (0.03)*
Common law	-0.22 (0.17)**	-0.13 (0.19)	-0.2 (0.17)
Ethnic heterogeneity	0.008 (0.003)**	0.008 (0.004)**	0.008 (0.003)**
GDP per capita	2.55 (0.49)***	2.5 (0.5)***	2.74 (0.48)***
Constant	-4.34 (1.94)**	-4.10 (2.02)**	-4.99 (1.94)**
Adjusted $R^2$	0.21	0.27	0.29
$N$	145	128	127

Sources: For independent variables and instruments (including definitions), see Table 4. For dependent variable (including definition), see Table 5.

Note: Regression coefficients are listed, with standard errors in parentheses.

\*\*\* $p < .01$

\*\* $p < .05$

\* $p < .1$ .

same instruments: per capita income, French colonial status, and population. For the remaining right-hand variables, I take the same ones from Table 4: common law, ethnic heterogeneity, and per capita income. The regressions plot these predictor variables against the Index of Economic Freedom (see Table 6).

The results of the regression analysis show that ODA has a *positive* relationship with the Fraser Institute's measure in each estimate. Two of the coefficients are statistically significant (with 5–10 percent confidence). Additional specifications of the model, using different lag periods (not shown), produce similar results and significance. As was true with democratization, however, the explanatory power is small. According to the estimate in column C, a 1-point rise in the Economic Freedom Index would require a rise in aid of about a 15 percent of GNP. This may be why many important people in government see little payoff from their efforts to get African states to adopt economic reforms.

However, it again appears that critics make too much of the detrimental effects of aid. Contrary to the perversity thesis, ODA in fact has a small, beneficial association

with the economic freedom variable. To the extent that any African state is favoring more intervention in economic life, it is probably due to domestic factors, such as the resistance of urban elites to the fallout for them of open markets, rather than too much aid.

## Conclusion

Foreign aid provides the wherewithal for African states to pay for and carry out many basic public functions. Yet being reliant on aid does not necessarily mean that these states would have evolved in a dramatically more favorable direction had they received less aid. Something closer to the opposite seems more likely. While we must be cautious about attributing causation, I find small positive relationships between aid and indicators of democracy and economic liberalism. These two indicators are not the only ways to gauge state capacity, and it is difficult to generalize from them to other facets of government activity. On balance, however, I think it credible that African states have gained more than they have lost by taking aid. To the extent that they remain poorly governed, I largely blame their youth and questionable legitimacy. Time can give a state the patina of legitimacy. Most African states have not had enough of it to earn the respect and loyalty of their citizens.

Where critiques of aid are on stronger ground is in questioning the view that foreign aid has had a *major* helpful impact on government capacity. African states are substituting donor resources and expertise for their own, but with surprisingly little positive effect on the way they govern. This is reflected in the small size of the regression coefficients for ODA in all the estimates made in this article. Even with outsiders controlling resources equivalent to 10 or 20 percent of their national income, African states are not puppets. The bulk of what they do (and can do) is probably the consequence of domestic political and social dynamics, not of what the World Bank or IMF wish to see happen.<sup>58</sup>

Having political influence only at the margin does not make aid irrelevant. It does, however, dampen enthusiasm for development assistance among the electorates in North America, Europe, or Japan. Absent more visible political progress, many people in the rich countries understandably conclude that their money has been wasted—as often it has. Policymakers are only yielding to public opinion when they pronounce that African states would be better off with less aid. The evidence in this article, however, suggests that slashing aid, by itself, would probably be counter-productive.

To put the matter differently, deep cutbacks in external assistance are more likely to hurt rather than help the cause of democracy and market reform in many African

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<sup>58</sup> World Bank researchers readily acknowledge this fact. See the study by Devarajan, Dollar, and Holmgren 1999.

states. Some of the ex-aid recipients would likely founder and degenerate into warlord fiefdoms, adding to a trend already sadly evident in the region.<sup>59</sup> Eventually, autonomous political entities might emerge that were better suited to assert their sovereignty and fashion conditions for national development. If the history of early Europe were any indication, however, unchecked struggles to build viable states in Africa would be drawn out and bloody. I find it improbable that voters in the advanced capitalist states would allow donor agencies to sit out such struggles once they start. At the same time, those voters appear unwilling to underwrite African states on the outside chance of forestalling political conflict. The puzzle for donor agencies, therefore, is to figure out how to continue helping African states to establish themselves while demonstrating more progress to their constituents at home.

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59 Reno 1998

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